

## India

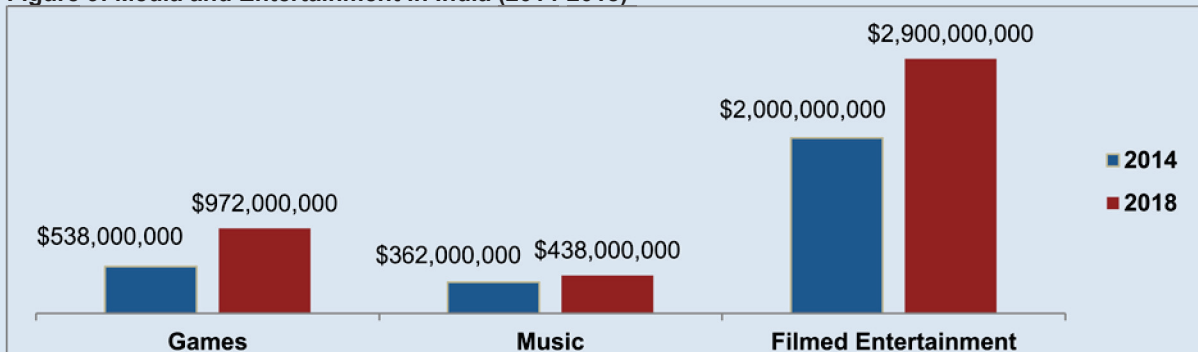
India's vibrant M&E industry, known as Bollywood (which technically refers to the North Indian film industry but is used universally to describe India's entertainment industry), is expected to grow to \$40.3 billion (11.6 percent CAGR) by 2018, led by digitally driven revenues. The country will outpace M&E spending across the Asia Pacific as well as globally through 2018, due to Internet advertising, video games and Internet access growth (but surprisingly not as much from content spending). Nominal GDP in India will grow at 14 percent during the same period, thanks to a growing economy and middle class, with rapid urbanization (35 percent of the population will live in urban areas by 2017) which creates demand for M&E services. Bollywood (the Hindi language film industry based in Mumbai, India) & Kollywood (the Tamil language film industry based in Chennai, Tamil Nadu) outshines the rest of the world by producing the most films globally, although the U.S. exports the most movies.



India ranks fifth on ITA's list of top M&E export markets and is expected to show robust growth in all subsectors, with one exception, online video games, which will grow, but not at the same speed as the other sub-categories discussed here. Although Bollywood is a major entertainment industry power player, and also a generator of a lot of popular music in India, it is not as easy for foreigners to break in to the Indian marketplace. There is tremendous demand for U.S. content, but many access it for free. There are many languages and regional dialects in India and Indians predominantly seek out local content, although there is robust demand for anything associated with American M&E sectors.

The over the top streaming sector is developing rapidly and presents excellent opportunities for U.S. companies that can hire a local agent who speaks the language(s) and will handle the A-Z's of doing business in India. There are opportunities in the market but it will take significant expertise to protect your investment and monetize the growing middle class consumer population. Global investment analysts contend the Indian market will experience excellent growth, which signals investor confidence in the market; yet, for the creative sectors to benefit, there must be robust copyright protection. Opening the sector to further FDI would bring in new capital, technology, and content, improving the market for the consumer and industry.

Figure 9: Media and Entertainment in India (2014-2018)\*



\* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2018

## Overview of M&E Market

The \$26.4 billion India M&E industry is dominated by film, television and Internet access and is expected to grow at a 12.4 percent rate between 2014 and 2017. India has the third largest Internet market after the United States and China, with 302 million Internet users, but reigns supreme with 900 million mobile users. Television penetration is at 65 percent today, and will grow another seven percent by 2017, and along with AGV (animation, gaming and VFX) will lead industry growth. India has digitized cable TV, and direct-to -home (DTH) subscriptions are rising<sup>38</sup>.

Movie going is the national pass time next to watching cricket, and multiplexes are being built at a rapid rate. Radio and Music remain a prominent source of revenue and future growth is likely to result from digitization of distribution methods as a means to reach a larger number of consumers more efficiently. India's Prime Minister is dedicated to a 'Creative India; Innovative India', a slogan used in the forthcoming national IPR policy; and creating a 'Digital India' by 2019<sup>39</sup>. However, some experts caution that innovation in India will not only come simply as a result of increased capital investments, but with institutional change that addresses corruption, educational levels, intellectual property protection and high taxation.

In the 2014 Global Innovation Index Report<sup>40</sup>, India scores low points on government effectiveness, regulatory quality, and ICT access<sup>41</sup>, so while FDI is increasing, the infrastructure and human capital to translate this in to an innovation economy still needs development and intervention by the government.

There is incredible growth in digital sectors, but it remains to be seen how robust the opportunities will be for U.S. exporters over the long haul, due to inconsistencies in how the Indian market operates and the inability of the government to stem piracy. Yet, there is a lot of enthusiasm in the business community to trade with U.S. companies, and U.S. content is ever popular amongst Millennials and middle class with purchasing power. The Government of India notes that increases in FDI, higher broadband penetration and the increased use of 3G and portable devices will spur growth in M&E sectors<sup>42</sup>.

## Opportunities for U.S. Companies (by Sector)

### Filmed Entertainment

Filmed entertainment will grow 105 to \$2.9 billion in 2018. There are opportunities for joint projects and local language content across India. Box office revenues and movie attendance is rising, and multiplexes continue to be built, while 3-D and animation skills are needed, offering very good opportunities for U.S. firms with new format expertise in the film sector. Home video such as over-the-top (OTT) streaming and subscriptions for TV and e-videos are rising dramatically – offering U.S. licensors tremendous opportunity if they can navigate the licensing regime and rampant piracy.

India has the world's third largest T V market, after China and the USA, with 161 million TV households. The country has a robust and large broadcasting and distribution sector, with approximately 796 satellite T V channels, 6000 multi- system operators, 60,000 local cable operators, 7 DTH operators and 4 IPTV service providers. TV penetration in India is about 65 percent and is expected to reach 72 percent by 2017<sup>43</sup>, and with the digitization of cable TV in India which was just finalized over four-stages, the direct-to -home (DTH) subscriptions are growing rapidly, driven by content innovation and product offerings, offering very good prospects for U.S. licensors.

The greatest growth in the filmed entertainment industry will come from OTT movie-streaming services. Local OTT providers include BIFFlix, Spuul, BOXTV and ErosNow. India is emerging as the teleport hub of Asia and 86 teleport permissions have been issued by the Ministry of Information and Broadcasting.

The Government of India has supported the growth of this sector with various initiatives such as digitizing the cable distribution sector to attract greater institutional funding and increasing the FDI limit from 74 percent to 100 percent in cable and DTH satellite platforms. Today 100 percent FDI is permitted in film and advertising as well as TV broadcasting.

### Music

Live music (14 percent,) digital downloads (12.1 percent,) and streaming (10.1 percent,) have excellent growth trajectories, but sales of physical music is declining heavily. Overall music revenues will reach \$438 million (4.8 percent) by 2018 and there is plenty of room for growth, including in live music performances. Although live music is growing, neighboring countries draw larger and more frequent

acts, such as in Singapore, Malaysia and Japan. The market could develop more music arenas and music festivals, and this is a potential growth area for U.S. investors.

Large brand names are targeting younger consumers with music online. There are concerns regarding illegal file sharing due to low income levels and a proliferation of content online that is easily accessed. Weak IPR laws and copyright enforcement contribute to the challenges, which have led to dramatic increase in illegal downloading of music. However, there is also an upside for legitimate distribution and downloads.

Although the FM radio sector has expanded by opening 338 licenses for private investment, just 24 percent FDI is permitted in the radio broadcast industry. Phase-III of e-auctions for FM radio licenses is underway and the renewal of licenses from phase II to III is being implemented in 69 existing cities for 135 channels, which will improve the market opportunities for new entrants from the United States.

#### Video Games

Video games will grow 16.7 percent to \$972 million, with the highest growth in mobile, consoles and advertising. Mobile game revenues will reach \$425 million by 2018 (19.7 percent), constituting 44 percent of India's total game revenues, and is the fastest growing game segment. Rapid smart phone penetration has been a major driver of mobile and online games. There are good opportunities for U.S. game developers to enter this market segment and forge partnerships with Indian game developers. Sony

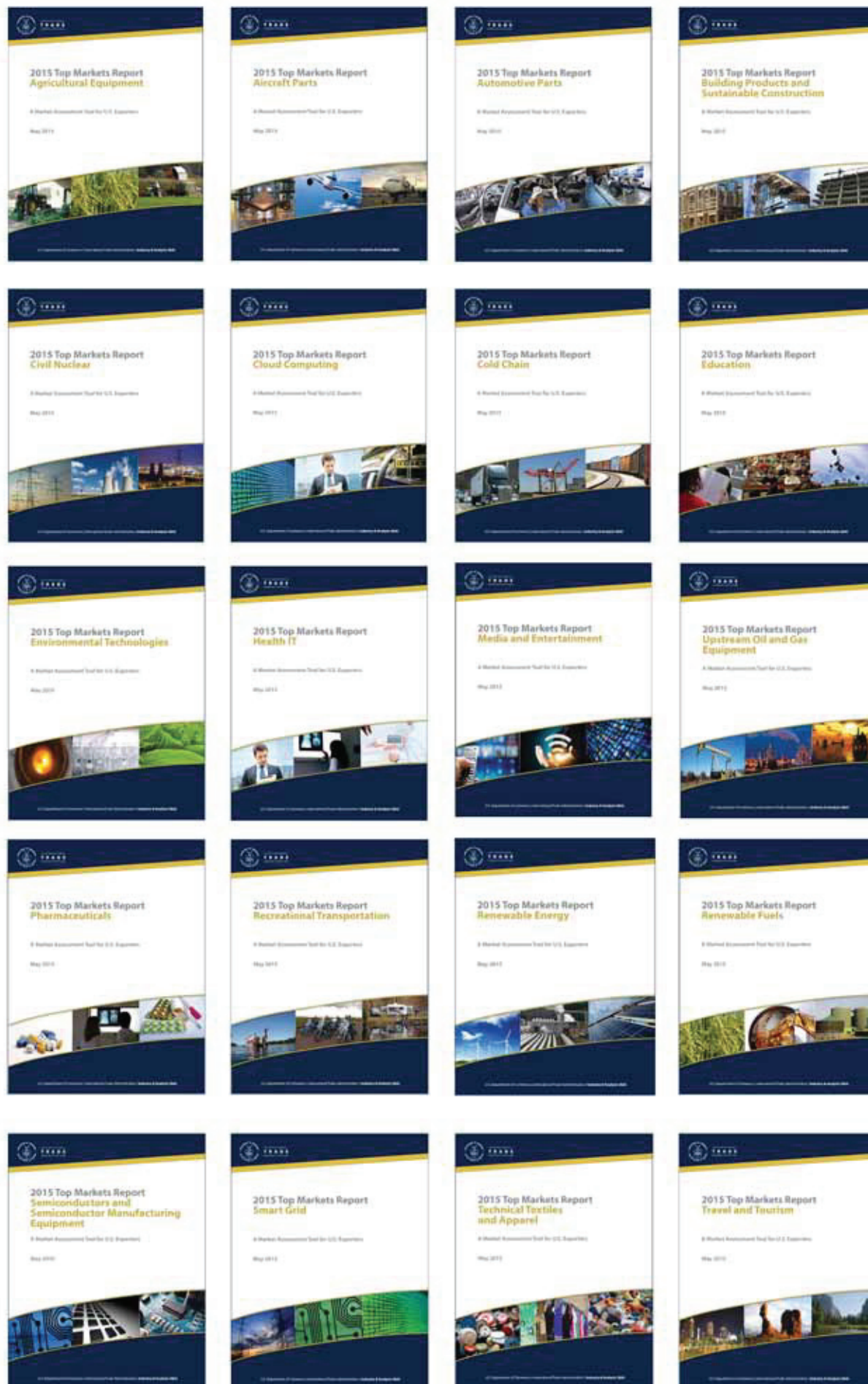
and Microsoft dominate the console and PC marketplace with PlayStation and Xbox 360.

#### Mobile Applications

The rapid expansion of the smartphone market is an important factor to consider when analyzing the export potential for M&E content to India. Smartphones in India are slowly becoming affordable with prices dropping to less than \$100. By 2017, smartphones will constitute 60 percent of the Internet-enabled device market. The proliferation of 4G technology will allow for greater access to mobile Internet platforms and better content quality.

#### **Challenges Facing U.S. M&E Exporters**

There is a commitment from the highest levels of government to the digital economy. While exporters can do business in an environment rife with piracy, a weak professional and distribution infrastructure, and sometimes questionable financial transaction dealings, anyone working there will learn to appreciate that India will remain a land of contrasts. The country is growing and wishes to correct piracy, yet enforcement is inconsistent and the laws are not keeping up with global standards. International Intellectual Property Alliance (IIPA) member companies report serious online and mobile piracy, illegal file sharing of music, cam cording in theaters, and rampant signal piracy of pay TV content<sup>44</sup>. Market access barriers abound as well. Yet, it is a huge marketplace. In this market, it will be important for U.S. exporters to avail themselves of IPR tools and local representatives who speak the language(s) and are well-connected in the relevant industry sub-sector.



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